PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
REDACTED - PUBLIC VERSION

Item 41 ID#4411

ENERGY DIVISION **RESOLUTION E-3925**
April 7, 2005

R E S O L U T I O N

Resolution E-3925. Pacific Gas & Electric Company requests approval of a new renewable resource procurement contract with the existing Tri-Dam Project, a partnership of the Oakdale Irrigation District and the South San Joaquin Irrigation District. Pacific Gas and Electric Company's Advice Letter 2606-E is approved.

By Advice Letter 2606-E Filed on January 3, 2005.

SUMMARY

PG&E requests Commission approval of a new renewable resource procurement contract for the Tri-Dam Project.
Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 2606-E on January 3, 2005, requesting Commission review and approval of a new renewable energy contract for the Tri-Dam project, a partnership of the Oakdale Irrigation District and the South San Joaquin Irrigation District. Approval of this advice letter would allow for a power purchase agreement (PPA) for an existing 101 megawatt (MW) hydro facility on the Middle Fork Stanislaus River System in northern California. The facility consists of three separate hydroelectric powerhouses totaling 101 MW of capacity and listed below:

Hydro Unit	Capacity (MW)
Donnells	72.0
Tulloch	18.0
Beardsley	11.0

Energy production from these three units is expected to be 470 GWh in an average year.

PG&E demonstrated the proposed contract confers price and other benefits in the ratepayers' interest. The PRG either supported or did not oppose approval of the contract.

PG&E made a sufficient showing that this contract is in the ratepayers' interest because the market value of the facility output is greater than PG&E's projected annual payments, resulting in net positive benefits for each year of the contract. See Confidential Attachment C to this resolution for the anticipated net positive values.

In addition, the contract confers the added ratepayer benefits of full dispatchable ancillary service for the Donnells facility and coordinated management of PG&E's additional hydro facility located on the same river system. Moreover the Beardsley and Tulloch powerhouses are CEC-certified Renewable Portfolio Standard (RPS) renewable resources, and thus their energy output is credited towards PG&E's RPS energy requirement.

The members of PG&E's Procurement Review Group (PRG) either supported or did not oppose the approval of this contract.

AL 2606-E is approved effective today.

PG&E requests that AL 2606-E be effective immediately. The Office of Ratepayer Advocates filed comments to this AL on January 24, 2005. PG&E responded to these comments on January 31, 2005. The subject of these comments is discussed below. This resolution approves AL 2606-E effective today.

This resolution also finds that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, should be disclosed for specific reasons.

BACKGROUND

The Commission issued guidelines and procedures for implementation of the Renewable Portfolio Standard (RPS) program.

SB1078, chaptered on September 12, 2002[1], established the California Renewable Portfolio Standard Program, which requires an electrical

1. [1] Statutes of 2002, Chapter 516

corporation to increase its use of eligible renewable energy resources[2] to 20 percent of total retail sales no later than December 31, 2017[3]. The Energy Action Plan (EAP), a joint agency document adopted by the Commission in May 2003, states a policy preference for accelerating this goal to 2010.

In D.03-06-071, issued on June 19, 2003, the Commission took the first steps toward implementing the RPS program such as establishing a process for determining the market price of electricity, and establishing flexible rules for compliance in case of excess or inadequate annual procurement.

The Commission provided interim guidance to the utilities on procuring renewable energy resources prior to full implementation of the RPS program.

An Assigned Commissioner's Ruling (ACR), effective August 13, 2003, authorized any of the investor-owned utilities to enter into renewable energy contracts in the interim period prior to the full development of the criteria and rules for a solicitation under the RPS. The ACR established interim procurement requirements for both competitive solicitations and bilateral agreements for renewable energy products.

The ACR set forth general process requirements:

1. A utility must abide by the terms of the Commission's first RPS implementation decision (D.03-06-071).
2. Utilities may engage in bilateral negotiations or may issue a competitive solicitation (request for offer (RFO)) to receive bids.
3. Issuance of an interim RFO by a utility does not constitute filing of a RPS procurement plan under the terms of D.03-06-071.
4. The utilities are allowed to "roll over" any under-procurement in 2003 into the Annual Procurement Target (APT)[4] for 2004 without penalty. A decision not to issue an RFO prior to full RPS implementation will not waive this immunity. Conversely, any contract signed as a result of

2. [2] Defined in PU Code section 399.12(a)

3. [3] PU Code Section 399.15(b)(1)

[4] The APT is the minimum amount of renewable generation the utility must procure each year to meet its RPS requirement, subject to the flexible compliance mechanisms authorized in D.03-06-071.

a bilateral negotiation or an RFO, and approved by the Commission, should count toward the APT.

5. Following PRG review of any proposed contracts, the utility may submit those contracts for Commission approval via Advice Letter.

The ACR also set forth criteria for interim procurement:

1. Any renewable procurement in the interim period must not anticipate the use of any Supplemental Energy Payments (SEPs) to be awarded by the California Energy Commission (CEC) pursuant to Public Utilities Code Sec. 383.5(d).
2. A solicitation must not anticipate the creation of the Market Price Referent (MPR) under development in the RPS process. Internal market benchmarks developed by the utility for bid evaluation are appropriate for preliminary evaluation, but should not be made public in the RFO or at any point in the solicitation process, and should not be referred to as the MPR.
3. Any internal benchmarks and details of their development should be provided to the Procurement Review Group (PRG) when the Preliminary Evaluation of submitted bids is performed, and to the Commission when any proposed contracts are ultimately submitted for approval.
4. Any RFO must clearly stipulate up front precisely how the utility will calculate adders for transmission upgrades and integration costs, and how the utility will assign capacity values and payments to as-available resources.

The proposed contract as presented in AL 2606-E was procured under the interim authority.

In D.04-12-048 the Commission recognized full implementation status of the RPS program and officially terminated the interim authority granted by the August 13, 2003 ACR as of February 8, 2005.[5] Advice Letters seeking approval of interim renewable contracts after the termination date would not be accepted by the Commission. As noted earlier, the proposed contract was filed via Advice Letter by PG&E on January 3, 2005.

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[5] D.04-12-048, "Opinion Adopting Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company's Long-term Plans", p. 76.

Therefore the proposed contract is subject to the interim guidelines listed above.

R.04-04-026 established a framework for further implementation of the RPS Program, including establishing baseline quantities and procurement targets for the utilities.

As stated above, the RPS Program requires each utility to increase the amount of renewable energy in its portfolio to 20 percent by 2017, increasing by a minimum of one percent per year. The Energy Action Plan (EAP), a joint agency document adopted by the Commission in May 2003, states a policy preference for accelerating this goal to 2010.

The Commission establishes an APT for each utility, which consists of two separate components: the baseline, representing the amount of renewable generation a utility must retain in its portfolio to continue to satisfy its obligations under the RPS targets of previous years; and the annual procurement target (APT), defined as at least one percent of the previous year's total retail electrical sales, including power sold to a utility's customers from its DWR contracts.

Of the three hydro units included in the Tri-Dam project, two are eligible for inclusion in PG&E's RPS baseline total.

In order for the output of a renewable resource to count toward a utility's RPS requirement, the resource must meet the requirements of an "eligible renewable energy resource" under the definitions of the program. Hydroelectric facilities under 30 MWs are eligible for inclusion under the RPS criteria.

Of the three units included in the Tri-Dam project, Tulloch (18 MW) and Beardsley (11 MW) qualify for inclusion in PG&E's RPS baseline total of renewables, representing .22% of the baseline or 160 GWh. The 72 MW Donnells facility does not qualify because it generates more than 30MWs of capacity. Tri-Dam will not claim Supplemental Energy Payment (SEP) funding for this project.

The proposed contract pricing is structured on a variable market price index for energy.

PG&E responded to Tri-Dam's request for proposal requiring that a market price index for energy be used to structure the contract pricing. A value adder was used for energy prices procured from the fully dispatchable Donnells unit. A subtractor was used for energy prices procured from the Tulloch and Beardsley plants to compensate for varying output river head loss and flows, and lack of ancillary service. The term of the proposed contract is five years. Confidential Attachment B discloses the price structure that was used to procure the contract. Confidential Attachments A and D demonstrate the potential price fluctuations for the whole contract (all three powerhouses) and for just the Tulloch and Beardsley powerhouses.

PG&E's PRG participated in review of the contract.
In D.02-08-071, the Commission required each utility to establish a "Procurement Review Group" (PRG) whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with the utilities and review the details of:

1. Overall transitional procurement strategy;
2. Proposed procurement processes including, but not limited to, RFOs; and
3. Proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.[6]

The PRG for PG&E consists of: California Department of Water Resources, California Energy Commission, Coalition of California Utility Employees, the Commission's Energy Division, Natural Resources Defense Council, Office of Ratepayer Advocates (ORA), Union of Concerned Scientists (UCS), and The Utility Reform Network (TURN). PG&E briefed its PRG regarding this contract on September 29, 2004. The PRG either supported or did not oppose the contract.

NOTICE

Notice of AL 2606-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

[6] D.02-08-07. "Order Instituting Rulemaking to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development" (8/22/02), p. 7.

PROTESTS

While no formal protests were filed, ORA filed comments on January 24, 2005 in response to Advice Letter 2606-E.
ORA expressed concern in its comments about PG&E's use of a market based price index structure for this contract's pricing. Specifically ORA stated, "The request in the RFP that Tri-Dam's energy prices be indexed reflects the relative high value of renewable power in today's market. However, ORA is concerned about the index price mechanism. While this resource would count towards the PG&E RPS requirement, the pricing provisions appear to undermine the gas price hedging value inherent in most renewables."

ORA stated that its concern regarding the pricing structure described above did not warrant sufficient rejection of this AL but warned that it would be risky to have a significant amount of future renewable contract prices tied to the cost of natural gas in the form of an electric market price index.

ORA also recommends that PG&E file an advice letter if there are any future changes in the contract or in the index price mechanism.

PG&E responded to ORA's Comments on January 31, 2005.
PG&E agreed with ORA that a fixed-price contract would have provided a greater hedging value, however PG&E stated that it was responding to Tri-Dam's RFP requiring them to negotiate under Tri-Dam's specifications. PG&E also stated that it originally attempted to structure its offer with a fixed price over the term of the contract, but Tri-Dam instructed PG&E to resubmit its proposal with a market-index price or face elimination in the RFP.

PG&E also indicated in its response that the cost of the energy from Tri-Dam is not indexed to gas directly and therefore reduces PG&E's exposure to gas prices. PG&E stated that it has relatively little power that is tied to market index prices and it has considerably more power tied to the cost of gas. While power and gas prices are related, their correlation is usually positive but less than one. According to PG&E, this contract helps diversify PG&E's portfolio. PG&E states that indexing the price to a liquid market price allows PG&E to hedge the price by entering into a fixed-for-floating swap based on the fixed forward prices and the floating market price.

PG&E agrees with ORA's recommendation that PG&E be required to file an advice letter if there are any future changes in the contract but suggests that the definition of "changes" be specified to mean "any material changes in the contract". PG&E stated that a change in the index price mechanism would qualify as a material change.

DISCUSSION

The proposed contract was not procured in complete accordance with the interim authority guidelines described above.
The procurement method used to secure the proposed contract does not comply with the second interim authority guideline outlined on page 3 of this resolution. Specifically;

- The contract was not a result of an IOU sponsored Request for Offer (RFO) or what Energy Division would ordinarily consider a bilateral negotiation.

For the proposed contract, PG&E responded to an RFP issued by Tri-Dam, requiring PG&E to abide by the generator's specifications (market index based pricing) in a highly competitive environment.

Energy Division (ED) has concerns about the method used to negotiate and procure this contract, specifically whether generator driven requirements of an RFP could negatively impact ratepayers. ED recommends approval of this contract nevertheless, due to the unique benefits it provides at an expected reasonable cost. Approval of this contract does not establish a precedent for future support of RPS eligible renewable energy contracts procured as a result of IOU participation in generator sponsored RFPs.

ED recommends that the Commission, through its general procurement proceeding, further consider issues pertinent to IOU participation in generator sponsored RFPs for renewable contracts.

The proposed Tri-Dam contract confers numerous benefits to the ratepayer and should be approved.

Energy Division examined PG&E's request in AL 2606-E on multiple grounds:

- Price simulations indicate a high likelihood of annual net benefits to the ratepayer;
- Value to ratepayers conferred by dispatchable ancillary services included in the contract;
- Coordinated management of additional PG&E hydro power facilities located on the same river system;
- Fulfillment of PG&E's requirements under the Renewables Portfolio Standard (RPS);
- Accordance with the Commission's expressed preference for renewable resource development and the EAP loading order [7];
- PRG involvement;
- Validity of comments received and PG&E's reply to comments.

The first four points listed above are elaborated further below.

The proposed contract confers annual net benefits for ratepayers.
Because the anticipated market value of the facility output is greater than the anticipated annual payments PG&E will make, the contract confers a yearly net benefit for ratepayers. Confidential Attachment C provides the yearly net benefits for low, medium, and high cost scenarios based on the forward curve of a market price index.

The forward curve of the market price index in Attachment C uses electricity forward prices based on broker quotes extended out to a period of time. These quotes are verified by PG&E's Risk Management Department. These quotes are used to construct a forward curve that is hourly in resolution. To derive a value for the Tri-Dam project, PG&E used a modeling tool that incorporates relevant data inputs based on gas prices, dispatchability and ancillary service. PG&E than applied a probability analysis to simulate low, medium, and high price scenarios.

[7] The Energy Action Plan developed a priority "loading order" of energy resources that will guide decisions made by the agencies jointly and singly. 1) energy efficiency projects, 2) renewable energy resources and distributed generation, 3) clean, fossil fuel, central-station generation.
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Ratepayers benefit from the fully dispatchable ancillary component of the contract.

Automated generation control (AGC) is being added to the Donnells unit allowing for full dispatchable ancillary services. The AGC capacity range of the Donnells hydro unit is 62.5 MW during the controlled, "non-spill" period (July – February). The proposed contract allows PG&E to use AGC throughout the year for the Donnells unit. PG&E was able to secure a "block" on-peak index price while retaining the ability to shape the deliveries for the most valuable individual hours within the on-peak block.

A pro-rata approach is used to value the regulation from Donnells. PG&E's current portfolio provides approximately 1400 MW of dispatchable ancillary service. The AGC capability of Donnells is anticipated to be 62.5 MW. The dispatchable contribution from the Donnells facility to PG&E's portfolio is approximately 4.5%. Based on historical data, Donnells is fully dispatchable approximately 77 % of hours. This yields the pro-rata contribution of ancillary service from Donnells to be approximately 3.5%: 4.5% of AGC capability times 77% of hours during controlled periods.

The proposed contract confers value to the ratepayer by enabling PG&E to continue to coordinate operations and better optimize the value of its hydroelectric resources located on the same river system.

PG&E has approximately 100 MW of generation on the Middle Fork Stanislaus River System. PG&E's largest plant is the 91 MW Stanislaus hydro unit. The main source of water for the Stanislaus unit is released from Tri-Dam's upstream facilities – Beardsley and Sand Bar hydro units, and the Beardsley Reservoir. While the Stanislaus tunnel has a capacity of about 540 cubic feet, Tri-Dam's upstream releases can easily exceed this amount. The water management and operation of Tri-Dam's facilities must be closely coordinated with PG&E's water management and operations to avoid and/or minimize spill and lost generation at the Stanislaus unit.

Additionally, water management and operation decisions, even though they may not cause spills, must be coordinated to avoid causing Stanislaus generation to be moved into less valuable time periods. Seasonal release in the run off season need to start earlier in order to obtain the maximum output of the combined systems, rather than separately optimizing Tri-Dam's Beardsley Reservoir alone. Sale of Tri-Dam power to a 3rd party would likely result in less coordinated operations, constrain the operations and lower the generation value of PG&E's Stanislaus facilities, and result in less optimization and value of the overall watershed resources.

PG&E claims all "Environmental Attributes" associated with the project output.

In light of recent rulings by the Federal Energy Regulatory Commission related to "renewable energy credits," the new contract explicitly conveys any such credits to PG&E. While PG&E's procurement of this contract does not fit into what Energy Division would ordinarily consider a bilateral negotiation, we find that the environmental attributes of the contract should count towards PG&E's RPS requirements.

Approval of this AL does not constitute a precedent for approval of future market based index price structures

ED recommends that the issue of market-based price structures for renewable contracts be further examined by the Commission, and that Commission approval of this AL does not constitute a precedent for future renewable contract price structures.

ED also supports ORA's recommendation that PG&E should file an advice letter for any material change to the proposed contract.

All confidential attachments to this resolution, except Attachment B, will remain confidential upon Commission approval.

Certain contract details were filed by PG&E under confidential seal and are included as confidential attachments to this resolution. Attachment B will be made public upon Commission approval of this resolution. Energy Division recommends that all other confidential attachments filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C remain confidential upon Commission approval of this resolution.

The Commission will adopt broadly applicable standards governing confidentiality in proceedings such as the procurement rulemaking (R.04-04-003).

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding:

> The 30-day period may be reduced or waived in an unforeseen emergency situation, upon the stipulation of all parties in the proceeding, for an uncontested matter in which the decision grants the relief requested, or for an order seeking temporary injunctive relief.

Energy Division requested that the 30-day comment period for this resolution be reduced because: (1) a delay in approving the contract will prevent its execution, and potentially frustrating the goals of the RPS Program, an outcome which is not in the public interest, and (2) because PG&E's Procurement Review Group has been active throughout the contract amendment process leading up to the advice letter and resolution, and members have expressed support for (or do not oppose) this contract.

All parties in the proceeding stipulated to a reduce the 30-day waiting period required by PU Code section 31l(g)(1) to seven (7) days. By stipulation of all parties, comments were filed no later than seven (7) days following the mailing of this draft resolution. No reply comments were filed.

PG&E filed comments to this resolution on April 4, 2005.

PG&E filed comments to this resolution on April 4, 2005. In their comments PG&E expressed concern that ED recommends the Commission look further into issues of IOU participation in generator-sponsored RFPs for renewable contracts. PG&E cited D.04-01-050 in their claim that IOUs are not precluded from responding to generator-issued RFPs. PG&E further stated that “restrictions on an IOU’s ability to participate in a renewable generator’s RFP, versus a fossil-fueled generator’s RFP, could be perceived as discriminatory and could restrict a renewable generator’s commercial opportunities in the marketplace.” PG&E goes on to state “arbitrary restrictions on renewable generators could cause undue harm to their ability to participate competitively in the market and harm an IOU’s ability to maintain its baseline renewables quantities at competitive prices." PG&E requests that the language recommending further Commission evaluation of IOU participation in generator RFPs for renewables be omitted from this resolution.

While D.04-01-050 permits IOU participation in generator sponsored RFPs for general procurement, the decision defers to guidelines already established by the Commission in D.03-06-071 for renewable procurement.[8] These guidelines permitted renewable procurement via IOU issued RFOs or bilateral negotiations between the generator and the IOU. IOU participation in generator sponsored RFPs for renewable contracts has not been specifically addressed by the Commission to date.

To further clarify, this resolution does not "restrict the IOU's ability to participate in a renewable generator's RFP" as stated by PG&E in its comments. This resolution "recommends that the Commission, through its general procurement proceeding, further consider issues pertinent to IOU participation in generator sponsored RFPs for renewable contracts." Energy Division therefore recommends that PG&E's request to omit the language recommending further exploration of this issue be rejected.

PG&E's comments also requested that the confidential appendices to this resolution not be made public except for Attachment B. PG&E cites a ruling regarding confidentiality of information and effective public participation dated April 4, 2003. This ruling provides a three year confidentiality window for forecast data including annual average natural gas price, annual average on-peak and off-peak electricity prices, and annual average new generation resource costs.

Energy Division recognizes that the circumstances of this particular contract are different from other renewable contracts that have been approved via the interim authority guidelines. Given those circumstances on the issue of confidentiality, Energy Division recommends that all confidential attachments to this resolution remain confidential except for Attachment B upon approval of this resolution. As stated above, Energy

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[8] D.04-01-050, "Order Instituting Rulemaking to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development", p.116.

Division anticipates that the Commission will adopt broadly applicable standards governing confidentiality in proceedings such as the procurement rulemaking (R.04-04-003).

FINDINGS

1. In D.03-06-071, issued on June 19, 2003, the Commission took the first steps toward implementing the RPS program

2. An Assigned Commissioner's Ruling (ACR), effective August 13, 2003, authorized any of the investor-owned utilities to enter into renewable energy contracts in the interim period prior to the full development of the criteria and rules for a solicitation under the RPS. The Investor Owned Utilities (IOUs) shall file an Advice Letter to seek pre-approval of any contract for such interim procurement.

3. The Commission required each utility to establish a Procurement Review Group (PRG) to review the utilities' interim procurement needs and strategy, proposed procurement process, and selected contracts.

4. The PRG for PG&E is comprised of Aglet Consumer Alliance, the California Energy Commission (CEC), California Utility Employees (CUE), Consumers Union (CU), Union of Concerned Scientists (UCS), Department of Water Resources (DWR), the Energy Division, the Office of Ratepayer Advocates (ORA), the Natural Resources Defense Council (NRDC), and The Utility Reform Network (TURN).

5. PG&E responded to a request for proposal issued on November 26, 2003 by Tri-Dam, a partnership of the Oakdale Irrigation District and the South San Joaquin Irrigation District, and was the winning bidder.

6. In D.04-12-048 the Commission recognized full implementation status of the RPS program and officially terminated the interim authority granted by the August 13, 2003 ACR as of February 8, 2005.

7. PG&E filed Advice Letter 2606-E on January 3, 2005. Therefore the proposed contract is subject to the interim guidelines as authorized in the August 13, 2003 ACR.

8. Of the three units included in the Tri-Dam project, Tulloch (18 MW) and Beardsley (11 MW) qualify for inclusion in PG&E's RPS baseline total of renewables, representing .22% of the baseline or 160 GWh. The 72 MW Donnells facility does not qualify because it generates more than 30MWs of capacity.

9. The price structure of the proposed contract is based on a variable energy market price index.

10. PG&E briefed its PRG regarding this contract on September 29, 2004. The PRG either supported or did not oppose the contract.

11. The proposed contract was not procured in complete accordance with the interim guidelines; specifically it was not procured as a result of an IOU-sponsored RFO and is not what Energy Division would ordinarily consider a bilateral negotiation.

12. Because the anticipated market value of the facility output is greater than the anticipated annual payments PG&E will make, the proposed contract confers a yearly net benefit for ratepayers.

13. Ratepayers benefit from the fully dispatchable ancillary component of the contract.

14. The proposed contract confers value to the ratepayer by enabling PG&E to continue to coordinate operations and better optimize the value of its hydroelectric resources located on the same river system.

15. The environmental attributes of the contract count towards PG&E's RPS requirements.

16. The issue of market-based price structures for renewable contracts should be further examined by the Commission as well as the issue of IOU participation in generator-sponsored RFPs for renewable contracts.

17. PG&E should make Advice Letter filings if there are material changes to the Tri-Dam contract including changes in the index price mechanism.

18. Approval of this advice letter does not constitute a precedent for future renewable contract price structures.

19. The Commission should maintain the confidentiality of all attachments to this resolution, except Attachment B, upon approval.

20. Advice Letter 2606-E should be approved effective today.

THEREFORE IT IS ORDERED THAT:

1. The request of the Pacific Gas and Electric Company to enter into a new renewable energy contract with the Tri-Dam project as described in Advice Letter 2606-E is approved.

2. The issues of IOU participation in generator-sponsored RFPs for renewable contracts and market based price structures for renewable contracts should be further examined in the general procurement proceeding (R.04-04-003).

3. PG&E will make advice letter filings if there are material changes to the Tri-Dam contract including changes in the index price mechanism.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 7, 2005; the following Commissioners voting favorably thereon:

Steve Larson
Executive Director

Attachment A – Redacted

Confidential Attachment B –

Pricing by Unit and Period

Period	Pricing
Donnells - Controlled Period (typically July – February) Dispatch and A/S flexibility	Donnells generation times (NP15 Monthly On-Peak Price + $8.00/MWh)
Donnells - Uncontrolled Period (typically March - June) Some flexibility, but runoff requires generation, some A/S	Donnells On-Peak generation times (NP15 Monthly On-Peak Price + $3.00/MWh) Plus Donnells Off-Peak generation times (NP15 Monthly Off-Peak Price + $3.00/MWh)
Beardsley and Tulloch, all year Base loaded plants with output varying based on head loss and flows; no A/S	Plants' On-Peak generation times (NP15 Daily On-Peak Price - $3.00/MWh) Plus Plants' Off-Peak generation times (NP15 Daily Off-Peak Price - $3.00/MWh)

- **Why more than index at Donnell's – Option modeling, Ancillary Services, Flexibility**

CONFIDENTIAL PROTECTED MATERIAL
Submitted under CPUC Code Section 583
And Pursuant to May 20, 2003 Modified Protective Order

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Confidential Attachment C – Redacted
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Attachment D – Confidential – Redacted